

DAIMINA Project, Nigeria
Quarterly Report April –June 2002

Submitted by

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to

United States Agency for International Development

Contract Number
620-G-00-01-00270

July 2002

**IFDC – NIGERIA
DAIMINA PROJECT**

**QUARTERLY PROGRESS REPORT
(APRIL 2002 – JUNE 2002)**

Executive Summary

This is the third quarterly report in the first year of the USAID-funded project aimed at improving agro-input marketing in Nigeria. Highlights during the quarter included:

- Completion of a baseline survey of the structure of the fertilizer sector.
- Surveys of the seed sector and drafting of regulations to govern it.
- Mobilization of private sector agro-input dealers in Kano and Oyo States aimed at formation of agribusiness trade associations at the state level.
- Nine training workshops for 450 dealers in technical and business subjects, including a high profile program on fertilizer blending.
- Improved market information by linking with the AFAMIN system and web-site.
- Design for a major report on implications of the WTO for Nigerian agriculture.
- A scope of work (SOW) for a major analysis on the impact of Government of Nigeria (GON) interventions.
- Expanded linkages between project client dealers and farmer groups, banks, etc.
- A meeting in June of the high-level project advisory committee, which recommended a national regulatory body for agro-inputs, a national fertilizer trade association, and expansion and extension of the project.

During the fourth quarter, IFDC will develop a workplan for the coming year and with USAID to ensure continuation of the project during FY 2003 beginning in October 2002. The project will undertake a study of the impact of government intervention on the growth and stability of the fertilizer markets and on the private sector. Six training programs on technical, business, and trade association management subjects are planned.

Introduction

During its first year the DAIMINA project is essentially designed as a policy improvement project directed at improving policies affecting agri-inputs markets and the development of the private sector capacity to implement marketing of agri-inputs and to improve farmer access to these inputs. The key project activities are to establish a dialogue on agribusiness policy reforms and formulation of fertilizer and seed regulations, development of private sector capacity in agri-input marketing, and strengthening the agri-input market information system. This report relates the

activities conducted during the quarter designed to contribute to the achievement of the project objectives.

Seasonal Conditions

The rains started on time (March) in the south and in June in the north and have been generally stable but below normal. Farmers have applied available but insufficient quantities of basal fertilizers to maize. Farmers that planted early maize have started harvesting in the south; while in the north, crops are at early stages of growth. The government Fertilizer Intervention Program has just started the delivery of 120,000 product tonnes of fertilizer on consignment meant for the current agricultural (wet) season. The orders have mainly been placed on the local importers and blending units.

Policy Analysis and Dialogue

1. General Status

Following the benchmark surveys of the fertilizer and seed market participants and discussions with the Project Advisory Committee (PAC), a SOW was developed for the major policy analysis activity. In addition, work with the Federal Fertilizer Department's National Fertilizer Technical Committee was commenced on the current structure of the fertilizer sector and inventory of resources as a prerequisite to developing and advising on fertilizer regulations. Supplementary activities on WTO compliance and impact on Nigerian agriculture were also commenced.

2. Summary of Objectives

- (a) Creation of a conducive and stable policy environment for agribusiness.
- (b) Design and implementation of fertilizer and seed regulations.

3. Activities in Support of Objectives

- (a) A SOW was designed for a short-term consultant to implement during the fourth quarter. This is summarized below:
 - 1. Assess the impact of government interventions since 1998, particularly the procurement and distribution of fertilizers, through state agencies at subsidized rates, on the availability, timeliness of supply, and delivered prices to farmers. Also assess the impact on the growth of the private sector, fertilizer producers, and importers, and the annual budgetary costs.
 - 2. Propose practical alternative market-friendly interventions that may be considered which would promote the private sector participation and more directly benefit small farmers.
 - 3. Conduct a debriefing meeting to present findings to USAID, FMARD, and farmer organizations.

Approach:

A. Impact Assessment

An impact assessment will be undertaken of FGN and state input policies in the Nigerian fertilizer sector since the reintroduction of the fertilizer subsidy in June of 1999. The information from the impact assessment will be useful for Nigerian policy makers and donors (such as USAID) to understand that the current ad hoc fertilizer policies may not have had the intended impact that was first envisaged. The impact assessment will be as empirical as possible documenting both the experience of stakeholders and the analysis of relevant data where available.

Documentation of Stakeholder Experience:

The stakeholders on the fertilizer supply side are the FGN, the state governments, donors (USAID), fertilizer importers, fertilizer producers, blenders, and those who distribute fertilizers (wholesale and retail agro enterprises). The stakeholders on the demand side are commercial and subsistence farmers and consumers of food and fiber crops.

Representatives of each supply side stakeholder group will be interviewed and their experiences documented. Both commercial and subsistence farmer representatives will be interviewed, such as the All Farmers Agricultural Association (ALFAAN). It is unlikely that there is a concerned consumers group that could be interviewed.

Analysis of Data:

An attempt will be made to gather data over the period 1990/91 to 2001/02 on various aspects of the Nigerian fertilizer sector at the national level and for the selected states. Data will include: fertilizer supply and disposition, fertilizer subsidy, import tariffs, VAT and excise duties, fertilizer prices, total subsidy cost and agricultural budgets; and maize, sorghum/millet, cotton, and groundnut acreage, production, and prices. These data will give a comprehensive picture of the fertilizer sector since 1990/91. This picture may indicate trends and reactions to various government policies that may be corroborated with the findings of the documentation of stakeholder views.

B. Propose Alternative Market-Friendly Interventions

The main objective is to explore various alternative market-friendly interventions that will ensure that fertilizer gets to all farmers on a timely basis and at an affordable price.

Broad-based alternatives have already been outlined in the strategic framework for African agricultural input supply (IFDC, 2001a) and also in the document on the assessment and strategy for agricultural input markets for Nigeria (IFDC, 2001b). A previous study (IFDC, 1994) examined the liberalization of the Nigerian fertilizer sector. These along with other alternative interventions as suggested by Nigerian stakeholders will be compared in terms of the impact on economic efficiency, equity, and food security issues as well as their practicability and transparency.

As in Item A above, stakeholders will be consulted as to alternative interventions and the direction of future fertilizer policy.

- (b) A baseline survey of the current structure of the fertilizer sector was conducted by the FFD and initial discussions held between the IFDC fertilizer regulatory consultant and the committee.
- (c) IITA commenced surveys of the seed sector and drafting of seed sector regulations.
- (d) A first draft report on WTO and Nigerian agriculture was completed.
- (e) Project Advisory Committee - The second PAC meeting was held on 20 June 2002, and was chaired by Professor Ango Abdullahi, Special Adviser to the President on Agriculture. Twenty-three members were in attendance. Members reviewed the activities of the project since the last meeting in February and considered the planned activities for the period July – September 2002. PAC members commended the activities of the project and encouraged the staff to keep up the good work for the overall success of the project. They suggested expansion of the project to some more states and offered to approach USAID and the Government of Nigeria to provide additional funding to the project.

Discussions were held on the following issues:

- i) Availability of inputs to farmers in a sustainable manner.
- ii) DAIMINA's expected role in providing an enabling environment for private sector participation in input marketing.
- iii) Establishment of a National Agricultural Inputs Board/Advisory Committee.
- iv) Introduction of micro-finance by the DAIMINA project to assist agro dealers to adequately procure inputs in a timely manner.
- v) Fertilizer quality control regulatory system.
- vi) Creating a website by the project to enable agro dealers' access to agri-input data.
- vii) Urgent need for the formation of a National Fertilizer Association of Nigeria.

Recommendations adopted by the PAC were:

- i) Efforts should be made to establish a regulatory body to be called National Agricultural Inputs Board/or Agricultural Inputs Advisory Committee.
- ii) The DAIMINA project should collaborate with research institutes and NSS on seed research and fertilizer use in the country.
- iii) The project should assist in the establishment of a National Fertilizer Association of Nigeria, and this should be modelled after The Fertiliser Association of India; arrangements should be made for members to go on a study tour of India.

- iv) There is need for the project to extend the project area by adding more states. PAC, if required, will approach USAID and the government to provide additional funding and to extend the project to 5 years.
- v) The project should give equal attention to the three basic inputs of fertilizers, seeds, and agrochemicals.

Development of Private Sector Capacity

1. General Status

Considerable progress was made during the quarter in mobilizing the private sector in Oyo and Kano States. The private sector has shown considerable enthusiasm for technical assistance and training initiatives, and these activities have also been extended to the extension services in both states. There is considerable interest in other states for the DAIMINA project to extend its activities beyond Kano and Oyo States. However, budget limitations preclude extensive expansion of activities and strategies are being formulated to enhance the project activities in a cost-effective manner.

2. Summary of Objectives

- (a) Enhance product knowledge and business skills of private agri-input entrepreneurs.
- (b) Develop marketing skills of input dealers.
- (c) Develop private sector extension skills.
- (d) Develop networking of agri-input suppliers with farmer organisations and other key stakeholders.
- (e) Stimulate demand for quality agri-inputs through improved farm advisory services.
- (f) Facilitate the establishment of agri-input trade associations.

3. Activities in Support of Objectives

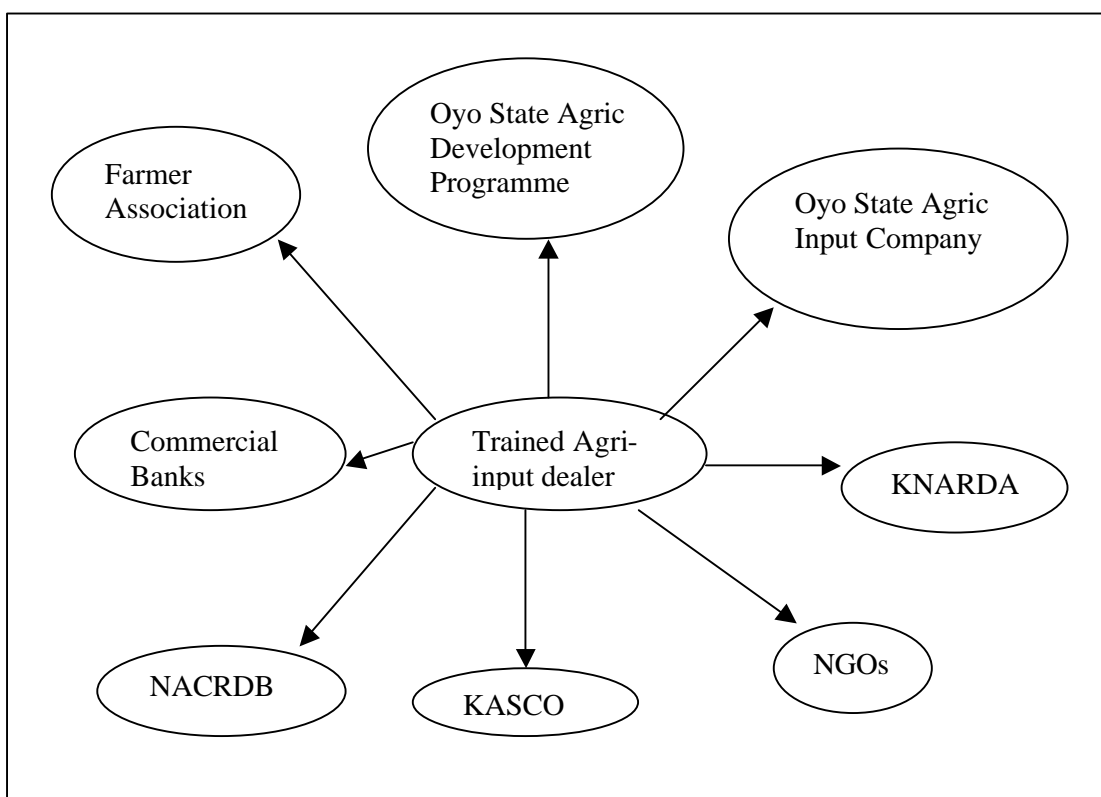
- (a) Benchmark Surveys - The report of the benchmark surveys conducted in March and April in Kano and Oyo States was prepared and submitted to the stakeholders. The findings of the survey are being used by the project in developing the training curriculum and operational strategy of the project.
- (b) Training Materials – 3,000 posters purposely designed for agro-input dealers were printed and are being distributed during training workshops. The development of a training curriculum is in progress and the draft on Marketing, Product Knowledge (Fertilizers, Seeds and Chemicals) has been written.
- (c) Training Programs – A total of 9 training workshops, attended by 447 beneficiaries, were conducted during the quarter. Table 1 provides information on the profile of participants and the topics discussed.

Table 1: Details of Training Workshops Conducted (April – June 2002).

Title	Venue/Date	Participants		Topics
		No	Profile	
Agribusiness Development Workshop	April (Kano)	78	Input dealers, extension workers, farmers' organisations, government officials, NGOs, banks	Introduction to DAIMINA, Product Knowledge, Agribusiness
“	May (Ibadan)	78	“	“
“	May (Oyo)	43	“	“
“	May (Kano)	47	“	“
“	June (Ibadan)	27	“	“
Extension Workers' Training	June (Kano)	35	Subzonal extension officers	Product Knowledge, Role of Extensioners in Input Market
Training of Agro Dealers	June (Kano)	28	Agro dealers, banks, input companies	Product Knowledge, Role of Agro Dealers, Micro Finance, etc.
National Fertilizer Blenders' Workshop	June (Abuja)	81	CEOs, senior FMARD officials/policy makers, NGOs	Product Knowledge, Policy Issues, Need to Form Associations
Extensioners Training	June (Ibadan)	30	As in Kano	As in Kano
Total		447		

(d) Networking of Agri-Input Dealers - The networking of the agri-input dealers, input suppliers, banks, extension workers, farmer groups, and government officials has been started as an important activity. In Kano State, dealers from the Kachako, Garko, and Gaya markets were able to make direct purchases of NPK fertilizers from Golden Fertilizers in June. Also, dealers in Oyo State have realized the benefits and have opened accounts with Nigerian Agricultural, Cooperative & Rural Development Bank. Securing loans from the bank has reached an advanced state. The owner of the Farmers Support Shop at Ogunpa market in Ibadan improved her sales volume by 25% by networking with farmer groups.

Schematic of Networking of Trained Agri-input Dealers



Acronyms: NACRDB- National Agricultural Cooperative Development Bank
 KASCO- Kano State Agricultural Supply Company
 KNARDA – Kano State Agriculture and Rural Development Company
 NGO – Non-government organization

- (e) Trade Association Formation - The project facilitated the formation of two state-level agro-dealers associations each in Oyo and Kano States. The associations are expected to influence government policy decisions on agri-inputs. They will also form a formidable group to enhance marketing of agri-inputs and negotiate for better sale terms with the suppliers. The Agricultural Inputs Dealers Association, Ibadan, in Oyo State with 30 members and Kano State Agricultural Inputs Marketers/Dealers Association (KASAINMDA) with 25 members have started operating. The formation of a National Fertilizer Association is in progress.
- (f) Blending Workshop - In collaboration with the Federal Ministry of Agriculture and Rural Development a 2-day National Workshop on Fertilizer Blending Units in Nigeria was organized from 25-26 June 2002. Sixty (60) participants representing blending companies, research institutes, and Ministry of Agriculture and Rural Development officials were in attendance. The workshop was declared open by the Honorable Minister of Agriculture and Rural Development, Mallam Adamu Bello. Ms. Dawn M. Liberi, USAID Mission Director, and other officials of FMARD and USAID were present at the inaugural session. The objective of the

- workshop was to identify the constraints facing the blending plants in the production and marketing of fertilizers and recommend workable solutions
- (g) Blending Technical Assistance – An IFDC specialist conducted an initial investigation of blending operations in Nigeria following presentations at the blenders training workshop held in Abuja.

Development of Market Information Systems

1. General Status

Progress was achieved during the quarter on improving access to market information through the launching of the AFAMIN (Nigeria) website and the initial publication of the project Agribusiness Newsletter.

2. Summary of Objectives

- (a) Develop a reliable, efficient system to provide current market information.
- (b) Facilitate decision making by government officials, private sector entrepreneurs, and farmer organizations.

3. Activities in Support of Objectives

- (a) Website Development - Arrangements have been made with IFDC Africa Division, Lome, Togo, on the installation and operation of the AFAMIN website (Nigeria) with a view of expanding the base of market information. The information provided at the website, when fully operational, will be used by agri-enterprises, agri-input traders, and other stakeholders.
- (b) Agribusiness Newsletter – The maiden edition of the monthly Agribusiness Newsletter was officially launched on 25 June 2002 by the Honorable Minister of Agriculture, Mallam Adamu Bello, during the National Workshop Fertilizer Blending Units in Abuja. The 8-page newsletter will serve as a medium of communication between IFDC-DAIMINA and all stakeholders for the benefit of Nigerian farmers

Other Activities

- (a) Implementing Partners Meeting - The Chief of Party (COP) and Project Manager attended the Implementing Partners meeting called by USAID on 10 June 2002. The partners familiarized themselves with other project activities including a presentation of their objectives, operations, contact persons, source of funds, implementing strategies, constraints (if any) and achievements made so far. In attendance were IFDC, Winrock International, Land O'Lakes, (Farmer-to-Farmer Project), IITA, WARDA, Chemonics, ARD, and SAFGARD. During this occasion, the new USAID Mission Director, Ms Dawn Liberi, was introduced to the implementing partners.
- (b) FMARD Meeting – A meeting was held with the Honorable Minister of Agriculture, Mallam Adamu Bello, by the COP and the Project Manager on project accomplishments, the future plan of action, and securing additional support of FMARD. The subject of collaboration of DAIMINA project with related government/USAID-supported projects and provision of counterpart funding was also discussed. The Honorable Minister expressed interest and promised to link the DAIMINA project with other related programs/projects of the Ministry. The Minister promised to call a meeting of all Directors in the Ministry and to discuss DAIMINA project collaboration and financial support by FMARD.

- (c) Meeting with NAFCON - The COP and the Project Manager, met with the newly appointed Managing Director (MD) of NAFCON, Dr. James Mbu. The MD gave a brief on the efforts being made to rehabilitate NAFCON as soon as possible. He hopes that NAFCON will be back and start production by the end of 2002. The project offered to provide technical support in strengthening the fertilizer distribution system through a network of trained agri-input dealers as soon as the plant starts production of fertilizers.
- (d) Visitors and Consultants - Visitors to the project during the quarter included the following:
- Dr. Balu Bumb, Senior Economist from IFDC Headquarters from 21 April to 3 May 2002. He, along with Dr. U.A. Alkalari, met with the Special Adviser to the President on Food Security; the Minister of State for Agriculture and Rural Development; the Director of Agriculture, Mr. O.A. Edache; the Director of Planning, Research and Statistics, Alhaji Tijani Sulemon, and also the Director of Federal Fertilizer Department, Alhaji Rabiw Kwa. He also attended the Stakeholders Workshop on Agribusiness Development in Kano from 25 to 26 April 2002.
 - Mr. Jorge Polo, Special Assistant to the President/CEO of IFDC, visited Nigeria from 23 June to 5 July 2002. He attended the National Workshop on Fertilizer Blending Units and made a presentation on technical aspect of fertilizer blending. He, along with the Project Manager, Dr. U. A. Alkalari, visited the office of the Special Adviser to the President on Food Security, Professor Ango Abdullahi in his office and travelled to Lagos to see the operations of the blending unit of Golden Fertilizer Company. A debriefing meeting together with the COP was held with USAID on 3 July 2002.
 - Mr. Kofi Debra from IFDC – Africa, Lome, came to attend the PAC meeting as an observer. He made useful contributions and discussed how IFDC/Lome could assist in the establishment of a website and collection of data through agri-input dealers.
 - Mr. David W. Rutland, IFDC Headquarters, visited Nigeria in April to review the data being collected by FFD and DAIMINA for the formulation of fertilizer regulations. He visited the officials of the FFD and held discussions with the National Fertilizer Technical Committee. He also attended the stakeholders' workshop in Kano from 25 to 26 April 2002.
 - Vice Admiral Murtala Nyako, President of the All Farmers' Apex Association of Nigeria (ALFAAN), visited the project office on 13 June 2002. He expressed the Nigerian Farmers appreciation of the activities of the DAIMINA project. He said that the farmer organization is following the project's activities and was convinced that the project has improved the awareness of farmers and other stakeholders, particularly in Kano and Oyo States on the issue of input supply and distribution. He urged the project to motivate more agro dealers to ensure that inputs are made available to farmers on time.
 - Alhaji Rabiw Kwa, Director, FFD, visited project office along with the Deputy Alhaji A. Aliyu to discuss with the COP the plan of action for the formulation of the draft fertilizer regulations. He also discussed the scope of the National Blenders' Workshop.

Future Activities

Activities planned for the fourth quarter of the project include:

1. An analytical study of the impact of procurement and distribution of fertilizers by the government on the timely availability, pricing, and growth of the private sector.
2. Completion of draft fertilizer regulations (first draft).
3. Completion of the benchmark and study report by IITA on seed production and marketing issues.
4. Six training workshops for agro enterprises.
5. Printing of training materials.
6. Networking to be intensified, particularly with the blending units, extension workers, and farmer organizations and commercial banks.
7. Training of trade association executives, in management, business development, advocacy, and customer services.
8. Completion of IFDC website formalities.
9. Training of data providers and agri-input dealers.
10. Training of data processors.